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CENTRAL INTELLIGENCE GRO  
INTELLIGENCE REPORT

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COUNTRY Czechoslovakia

SUBJECT Foreign Connections of the Machine Industry

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SUPPLEMENT

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1.

The directorate of the machine industry is a separate agency organized by the State with headquarters in the Skoda general office in Praha.

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the principal problem confronting is that of inefficiency of production with which it is still beset. unless a marked improvement in efficiency occurs in such fields as auto manufacture Czechoslovakia will be unable to compete in foreign markets and at the same time, will only be able to tap the domestic high income brackets. Costing from 75,000 to 90,000 Kcs., the lowest-priced Skoda car is way out of line and its domestic market will soon disappear. most of the blame for high production costs at the door of labor. the Czech worker is over-educated and, therefore, reluctant to take jobs in factories. Besides, as a carryover from the war, there still exist too many opportunities for him to make money from the turnover of goods in the black market. Management, too, must accept part of the blame for the present difficulties, but efforts are being made constantly to weed out the inefficient, and progress in this direction ought to be evident soon.

4.

in Czechoslovakia there is at least a six-year lag in many branches of theoretical and applied science, caused by the closing of institutions of higher learning in 1939. Scientists and technicians were cut off throughout the war from all foreign sources of new ideas and developments except the Germans permitted for war production.

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Czechoslovak industry is, therefore, actively engaged in making up that lag by inviting technical assistance and advice from abroad. The machine industry, e.g., is currently involved in a series of negotiations with firms abroad seeking agreements on license grants, exchange of technical information, and of course, the export and import of goods.

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6.

the Czechoslovak steel situation the steel mills at Vitkovice are now going along satisfactorily because of the solution of the ore shortage with which the mills were beset a year ago. ore is again coming to the mills by way of Gdynia. The transport by rail across Poland is more expensive than it used to be by Stettin and the Oder River, but it is hoped that the water route will be made available again. During the time of difficulty in getting ore across Poland the Russians came through with several ore shipments, which kept the mills in operation. The difficulty with Russian ore shipments, however, is that needs have to be estimated substantially in advance in order to be included into the Russian plans, so that deliveries can be obtained. Otherwise it is extremely difficult to get ore shipments from them. The mills at Trinec, located in the disputed Tesin area, are working satisfactorily, but German expansion was too great and will probably make the mills uneconomical to operate at their capacity level. Although the Poles frequently cast covetous eyes at the Trinec complex, their basic desire in pressing for the acquisition of Tesin is to obtain the coal of the Karvinna region, which is highly suitable for coking and use in blast furnaces.

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